

Additional Information to Notice of Annual Meeting of Shareholders 2020

Recruit Holdings Co., Ltd.

Note Regarding Reference Translation

This document has been translated from the Japanese language original for reference purposes only and may not be used or disclosed for any other purpose without the Company's prior written consent. In the event of any conflict or discrepancy between this translated document and the Japanese language original, the Japanese language original shall prevail in all respects. The Company makes no representations regarding the accuracy or completeness of this translation and assumes no responsibility for any losses or damages arising from the use of this translation.

This document has been prepared to provide additional information to, and prepared separately from, the Notice of Annual Meeting of Shareholders (the “Notice”).

Under the laws and regulations and Article 15 of the Company’s Articles of Incorporation, the information in the original Japanese version of this document is allowed to be made available on the Company’s website separately from the Notice, while the Japanese original version of the Notice is required to be physically delivered to shareholders under the Companies Act.

In this document, the terms the “Company,” “Recruit Holdings,” “we,” and “our” refer to Recruit Holdings Co., Ltd. and its consolidated subsidiaries unless the context indicates otherwise. The “Holding Company” refers to Recruit Holdings Co., Ltd. on a standalone basis.

The Company’s fiscal year starts on April 1 and ends on March 31 of each year. Accordingly, “FY2019” refers to the period from April 1, 2019 to March 31, 2020. References to “FY” or “fiscal year” for prior and subsequent are to 12-month periods commencing in each case on April 1 of the year indicated and ending on March 31 of the following year.

Q1 refers to the three-month period from April 1 to June 30, Q2 refers to the three-month period from July 1 to September 30, Q3 refers to the three-month period from October 1 to December 31, and Q4 refers to the three-month period from January 1 to March 31.

TABLE OF CONTENTS

Status of Stock Acquisition Rights	3
Internal Controls and Its Operational Status	7
Consolidated Statement of Changes in Equity	13
Notes to Consolidated Financial Statements	14
Statement of Changes in Equity	31
Notes to Non-consolidated Financial Statements	32

Forward-Looking Statements

This document contains forward-looking statements, which reflect the Company's assumptions, estimates and outlook for the future based on the Company's plans and expectations as of March 31, 2020 unless the context otherwise indicates. There can be no assurance that the relevant forward-looking statements will be achieved. Please note that significant differences between such forward-looking statements and actual results may arise due to various factors, including changes in economic conditions, changes in individual users' preferences and enterprise clients' needs, competition, changes in the legal and regulatory environment, fluctuations in foreign exchange rates, and other factors. Accordingly, readers are cautioned against placing undue reliance on any such forward-looking statements. The Company has no obligation to update or revise any information contained in this document based on any subsequent developments except as required by applicable law or stock exchange rules and regulations.

Third-Party Information

This document includes information derived from or based on third-party sources, including information about the markets in which we operate. These statements are based on statistics and other information from third-party sources as cited herein, and the Company has not independently verified and cannot assure the accuracy or completeness of any information derived from or based on third-party sources.

Status of Stock Acquisition Rights

Status of Stock Acquisition Rights as of March 31, 2020

Stock acquisition rights issued based on the resolutions of the Annual Meeting of Shareholders held on June 20, 2013 and of the meeting of the Board of Directors held on July 31, 2013.

- Number of stock acquisition rights: 139
- Type and number of shares subject to stock acquisition rights
Common stock: 417,000 shares (3,000 shares per 1 stock acquisition right)
- Issuance price of the stock acquisition right
Stock acquisition rights shall be issued free of charge.
- Amount to be paid upon exercise of the stock acquisition rights: 1 yen
- Period during which stock acquisition rights may be exercised
September 1, 2013 to August 31, 2033
- Terms for exercising stock acquisition rights
Persons allotted with stock acquisition rights can only exercise these rights within 10 days from the date on which they lose their positions as a Director of the Board, Corporate Executive Officer, or Corporate Professional Officer of the Company.
- Status of stock acquisition rights held by the Directors of the Board and Corporate Executive Officers of the Company

	Number of stock acquisition rights	Type of shares subject to stock acquisition rights	Number of shares subject to stock acquisition rights	Number of holders
Directors of the Board (excluding outside Directors of the Board)	98	Common stock	294,000 shares	4
Corporate Executive Officers	41	Common stock	123,000 shares	2

Stock acquisition rights issued based on the resolutions of the Annual Meeting of Shareholders held on June 26, 2014 and of the meeting of the Board of Directors held on November 13, 2014

- Number of stock acquisition rights: 135
- Type and number of shares subject to stock acquisition rights
Common stock: 405,000 shares (3,000 shares per 1 stock acquisition right)
- Issuance price of the stock acquisition right
Stock acquisition rights shall be issued free of charge.
- Amount to be paid upon exercise of the stock acquisition rights: 1 yen
- Period during which stock acquisition rights may be exercised
December 27, 2014 to December 26, 2034
- Terms for exercising stock acquisition rights
Persons allotted with stock acquisition rights can only exercise these rights within 10 days from the date on which they lose their positions as a Director of the Board, Corporate Executive Officer, or Corporate Professional Officer of the Company.
In the event of the death of the Director of the Board, Corporate Executive Officer or Corporate Professional Officer, their heirs may exercise the stock acquisition rights within one year from the time of death or by the final date of the exercise period, whichever comes first.
- Status of stock acquisition rights held by the Directors of the Board and Corporate Executive Officers of the Company

	Number of stock acquisition rights	Type of shares subject to stock acquisition rights	Number of shares subject to stock acquisition rights	Number of holders
Directors of the Board (excluding outside Directors of the Board)	109	Common stock	327,000 shares	4
Corporate Executive Officers	26	Common stock	78,000 shares	2

Stock acquisition rights issued based on the resolution of the meeting of the Board of Directors held on August 10, 2015.

- Number of stock acquisition rights: 1,409
- Type and number of shares subject to stock acquisition rights
Common stock: 422,700 shares (300 shares per 1 stock acquisition right)
- Issuance price of the stock acquisition right
Stock acquisition rights shall be issued free of charge.
- Amount to be paid upon exercise of the stock acquisition rights: 1 yen
- Period during which stock acquisition rights may be exercised
September 26, 2015 to September 25, 2035
- Terms for exercising stock acquisition rights
Persons allotted with stock acquisition rights can only exercise these rights within 10 days from the date on which they lose their positions as a Director of the Board, Corporate Executive Officer, or Corporate Professional Officer of the Company (if the person allotted with stock acquisition rights had already lost all of the positions on the date of the allotment of stock acquisition rights, said person can exercise these rights within one year from the day following the date of allotment of stock acquisition rights).
In the event of the death of the Director of the Board, Corporate Executive Officer or Corporate Professional Officer, their heirs may exercise the stock acquisition rights within one year from the time of death or by the final date of the exercise period, whichever comes first.
- Status of stock acquisition rights held by the Directors of the Board and Corporate Executive Officers of the Company

	Number of stock acquisition rights	Type of shares subject to stock acquisition rights	Number of shares subject to stock acquisition rights	Number of holders
Directors of the Board (excluding outside Directors of the Board)	1,153	Common stock	345,900 shares	4
Corporate Executive Officers	256	Common stock	76,800 shares	2

Stock acquisition rights issued based on the resolution of the meeting of the Board of Directors held on July 16, 2019.

- Number of stock acquisition rights: 4,349
- Type and number of shares subject to stock acquisition rights
Common stock: 434,900 shares (100 shares per 1 stock acquisition right)
- Issuance price of the stock acquisition right
Stock acquisition rights shall be issued free of charge.

- Amount to be paid upon exercise of the stock acquisition rights: 3,718 yen
- Period during which stock acquisition rights may be exercised
July 31, 2019 to July 30, 2029
- Terms for exercising stock acquisition rights

Stock acquisition rights cannot be exercised in fractional portions.

If persons allotted with stock acquisition rights (the “Stock Acquisition Right Holder”) lose their positions as a Director of the Board or Corporate Executive Officer of the Company, they may exercise the stock acquisition rights within three years from the date on which they lose their positions or by the final date of the exercise period, whichever comes first.

A Stock Acquisition Right Holder may not pledge or otherwise dispose of the stock acquisition rights.

Other conditions will be set out in the stock acquisition rights allotment agreement to be executed between the Company and the Stock Acquisition Right Holder pursuant to the resolution of the Company’s Board of Directors.

- Status of stock acquisition rights held by the Directors of the Board and Corporate Executive Officers of the Company

	Number of stock acquisition rights	Type of shares subject to stock acquisition rights	Number of shares subject to stock acquisition rights	Number of holders
Directors of the Board (excluding outside Directors of the Board)	3,190	Common stock	319,000 shares	5
Corporate Executive Officers	1,159	Common stock	115,900 shares	6

Status of Stock Acquisition Rights Granted in FY2019

Stock acquisition rights issued based on the resolution of the meeting of the Board of Directors held on July 16, 2019.

- Number of stock acquisition rights: 4,349
- Type and number of shares subject to stock acquisition rights
Common stock: 434,900 shares (100 shares per 1 stock acquisition right)
- Issuance price of the stock acquisition right
Stock acquisition rights shall be issued free of charge.
- Amount to be paid upon exercise of the stock acquisition rights: 3,718 yen
- Period during which stock acquisition rights may be exercised
July 31, 2019 to July 30, 2029
- Terms for exercising stock acquisition rights

Stock acquisition rights cannot be exercised in fractional portions.

If persons allotted with stock acquisition rights (the "Stock Acquisition Right Holder") lose their positions as a Director of the Board or Corporate Executive Officer of the Company, they may exercise the stock acquisition rights within three years from the date on which they lose their positions or by the final date of the exercise period, whichever comes first.

A Stock Acquisition Right Holder may not pledge or otherwise dispose of the stock acquisition rights.

Other conditions will be set out in the stock acquisition rights allotment agreement to be executed between the Company and the Stock Acquisition Right Holder pursuant to the resolution of the Company's Board of Directors.

- Status of stock acquisition rights held by the Directors of the Board and Corporate Executive Officers of the Company

	Number of stock acquisition rights	Type of shares subject to stock acquisition rights	Number of shares subject to stock acquisition rights	Number of holders
Directors of the Board (excluding outside Directors of the Board)	3,190	Common stock	319,000 shares	5
Corporate Executive Officers	1,159	Common stock	115,900 shares	6

Internal Controls and Its Operational Status

Internal Controls

Important details of the Company's internal control policies, procedures, and processes were approved as follows by resolution of the Board of Directors meeting on March 13, 2019.

Measures to Ensure that Directors of the Board and Employees of the Company Comply with Laws and Regulations and the Articles of Incorporation in the Execution of Their Duties

- A Board of Directors, which must include outside Directors, shall be established at the Company to carry out decision-making on important matters.
- An Audit & Supervisory Board, which must include outside Audit & Supervisory Board members, shall be established at the Company. The Company's Audit & Supervisory Board members shall audit the execution of duties by the Company's Directors by attending meetings of the Board of Directors and other important meetings and investigating the state of operations and similar matters on the basis of the audit standards established by the Audit & Supervisory Board.
- The Company shall establish a Nomination Committee, Evaluation Committee, and Compensation Committee, each chaired by an outside Director, to conduct deliberations on the nomination, appointment, evaluation and compensation of the Directors and Corporate Executive Officers.
- The Company shall dispatch its Directors to each SBU Headquarters, such that the Company's Directors account for a majority of the Board of Directors of each SBU Headquarters and supervise the management of each SBU Headquarters.
- An Internal Audit Department shall be established within the Company, under the direct control of the President and CEO, Representative Director of the Board, and shall conduct audits of the Company's managers, employees, and similar personnel (collectively, "Recruit Affiliated Persons") and their compliance with laws and regulations, as well as the Articles of Incorporation and company policies.
- The "Recruit Group Code of Ethics" shall be established and all Recruit Affiliated Persons shall be informed thereof.
- While giving due consideration to the autonomy and independence of the Company's subsidiaries, the "Recruit Group Policies" shall be established as shared group-wide policies for Recruit Holdings and its subsidiaries on matters such as decision-making, investment management, finance, human resource management, risk management, and compliance, in order to realize unified group-wide management of the whole Company.
- The Company shall establish procedures to prevent all relationships, including business relationships, with anti-social force, as defined by the Japanese government.
- The Company shall establish the "Recruit Group Compliance Policy" that sets forth basic policies regarding compliance. The Company's Board of Directors shall appoint an individual with ultimate responsibility for compliance, establish a department in charge of compliance, make decisions on basic group-wide compliance policies, and monitor the effectiveness of the compliance measures. The President, Representative Director and CEO shall convene and serve as chairperson of the Compliance Committee and shall evaluate the effectiveness of the group-wide compliance program and make decisions on and inspections of the operational plans of the Company as a whole.
- The Board of Directors of each SBU Headquarters shall appoint an individual with ultimate responsibility for compliance at the SBU, make decisions on the SBU's basic compliance policies, and monitor the effectiveness of the SBU's compliance measures. The CEO of each SBU Headquarters shall convene and serve as chairperson of the Compliance Committee for the SBU and shall evaluate the effectiveness of the SBU's compliance and make decisions on and inspections of the SBU Headquarters' operational plans.

- The CEO of each subsidiary of the Company shall appoint an individual with ultimate responsibility for compliance at the subsidiary, evaluate the effectiveness, and make decisions on and inspections of the subsidiary's operational plans of its compliance.
- Recruit Holdings and its subsidiaries shall establish processes, including reporting hotlines for harassment and/or illegal or other improper behavior, to promptly transmit information to the applicable department in charge of compliance within the Company or the relevant subsidiary, in the event that a Recruit Affiliated Person discovers a potential issue related to internal controls. The department in charge of compliance that receives the report shall promptly and thoroughly investigate the matter, decide on response measures in consultation with the related departments, and implement appropriate response measures.
- Recruit Holdings and its subsidiaries shall plan and conduct necessary training for Recruit Affiliated Persons to ensure compliance with the "Recruit Group Code of Ethics" and internal policies.
- In the event that a violation of laws, regulations, internal policies, or other compliance rules is discovered, Recruit Holdings and its subsidiaries shall impose strict measures against any Recruit Affiliated Persons involved in any such violation.

Policies and Procedures Concerning Retention and Management of Information Regarding the Execution of Duties by the Company's Directors of the Board

- Recruit Holdings shall establish the "Documents and Contracts Management Policy," providing for the creation and retention of documents and materials related to Directors' execution of their duties, including documents such as the minutes of Annual Meetings of Shareholders, meetings of the Board of Directors, and Business Strategy Meetings.
- The length of time of, and department responsible for, the retention of the documents described in the previous paragraph shall be as set forth in the "Documents and Contracts Management Policy." Documents shall be retained in a manner that allows them to be viewed upon request by Recruit Holdings' Directors and Audit & Supervisory Board members.

Internal Policies and Other Measures concerning Management of Risk of Loss

- The Company shall establish the "Recruit Group Risk Management Policy" and "Recruit Group Risk Escalation Rules" to provide comprehensive, group-wide risk management.
- The Company's Board of Directors shall appoint an individual with ultimate responsibility for group-wide risk management, establish a department in charge of risk management, and make decisions on the basic policies regarding, and monitor the status of the Company's risk management. In addition, the Risk Management Committee, chaired by the Director responsible for group-wide risk management, shall monitor the status of risk management at each SBU as well as identify and determine the risks deserving of particular attention.
- The Board of Directors of each SBU Headquarters shall appoint an individual with ultimate responsibility for risk management at the SBU and make decisions on basic policies regarding, and monitor the status of, the SBU's risk management. In addition, through the SBU Risk Management Committee attended by those responsible for the respective management functions of each SBU Headquarters, the Board of Directors of each SBU Headquarters shall monitor the status of risk management at each SBU as well as identify and determine the risks deserving of particular attention.
- The CEO of each of the Company's subsidiaries shall be ultimately responsible for risk management at the subsidiary and shall appoint an individual to oversee risk management at the subsidiary, identify risks for the subsidiary and determine the significance of such risks.
- If a serious incident occurs that may affect the Company as a whole, the Company shall establish a crisis management task force to address the situation.

Measures to Ensure the Efficient Execution of Duties by the Company's Directors of the Board and its Subsidiaries

- The Company's Board of Directors or the Business Strategy Meeting shall set group-wide management targets for the Company and shall make these targets widely known within the Company as a whole, while also setting specific targets to be achieved by each function of the Company in order to achieve the group-wide targets. The Company's Corporate Executive Officers in charge of each function shall determine and execute efficient methods of achieving these targets.
- The Company's Board of Directors shall regularly review the Company's progress in achieving these targets and, by promoting improvements such as eliminating or reducing factors that impede efficiency and increase the likelihood of achieving the targets.
- The Company shall establish a Business Strategy Meeting as an advisory body to CEO and shall carry out discussions on necessary matters regarding management of the Company as a whole.
- In addition, expert committees such as the Sustainability Committee shall be set up as advisory bodies to the Company's Board of Directors and the Business Strategy Meeting.

Policies and Procedures to Ensure the Reliability of Internal Controls for Financial Reporting

- The Company shall establish the "J-SOX General Policy," the policy for the Japanese regulatory framework similar to Sarbanes-Oxley (SOX), and a system of internal control or financial reporting based on the internal control reporting system described in the Financial Instruments and Exchange Act of Japan.

Policies and Procedures Concerning Reporting to Recruit Holdings Regarding the Execution of Duties by Subsidiaries' Directors of the Board and Similar Persons

- Recruit Holdings shall establish internal divisions to oversee each SBU. Based on requests from such oversight divisions, Directors of the subsidiaries shall regularly report their business results and the status of implementation of their business strategies to their respective oversight divisions.
- Recruit Holdings and SBU Headquarters shall share information regarding their management activities on a regular basis, and discuss management policies, as needed.
- The Company shall establish the "Group Management Policy of the Recruit Group" and require the Company's subsidiaries to obtain approval of Recruit Holdings regarding important issues and make a prior confirmation with or subsequent report to the relevant departments of the Company.

Matters concerning Appointment of Employees to Assist Audit & Supervisory Board Members in Their Audit Duties

- The Company shall appoint one or more persons as "Assistants to support the Company Audit & Supervisory Board Members" ("Assistants") and make an official announcement of the appointment.

Matters Relating to Ensuring the Independence of Employees from the Company's Directors of the Board Described in the Preceding Item and the Effectiveness of Instructions Given to the Employees

- Assistants shall only follow the directions provided by the Audit & Supervisory Board members in supporting their duties. The opinions of the Audit & Supervisory Board members and the Audit & Supervisory Board shall be respected with regard to the appointment, transfer, evaluation, and discipline of these assistants.

Procedures Concerning Reports to the Company's Audit & Supervisory Board Members

- Recruit Affiliated Persons and the Company's independent Auditor shall report to the applicable Audit & Supervisory Board members of the Company on the matters set forth below. Measures shall be put in place to allow for reporting in a timely manner by means of meetings, interviews, telephone, email, and similar methods.
 - Material matters regarding business management
 - Matters that have the potential to cause significant loss to the Company
 - Material matters regarding internal auditing and risk management
 - Material violations of laws, regulations, or the Articles of Incorporation
 - Any other material matters regarding internal controls
- The Company's Audit & Supervisory Board members and the Internal Audit Department shall cooperate with the Directors of the Board and Audit & Supervisory Board members of each SBU Headquarters and its subsidiaries as needed and share information on a regular basis.

Measures to Ensure that Individuals Reporting on Matters Described in the Preceding Item Are Not Unfavorably Treated on the Basis of Such Reporting

- The Company shall establish the "Recruit Group Compliance Policy" under which any individual who has made a report described in the preceding item may not be subjected to unfavorable treatment such as dismissal, unjustified transfer, or similar measures due to him or her reporting such matters in good faith.

Matters Relating to Policies Concerning Procedures for Making Advance Payments or Reimbursements of Expenses Incurred in Connection with the Execution of Duties by the Company's Audit & Supervisory Board Members and Treatment of Other Expenses or Obligations Associated with the Execution of Duties by These Members

- The Company shall bear the costs of the budget requested in advance by the Audit & Supervisory Board members for expenses necessary to execute their duties. In addition, the Company's Audit & Supervisory Board members may request payment from the Company of expenses incurred in urgent or unexpected circumstances, and the Company shall bear such costs.

Other Measures to Ensure the Effectiveness of Audits by Audit & Supervisory Board Members

- The Company's Audit & Supervisory Board members and Audit & Supervisory Board shall hold regular meetings to exchange opinions with the President and CEO, Representative Director of the Board and with the Company's Independent Auditor, respectively.

Overview of Operational Status of Internal Controls

The Company endeavors to develop and appropriately operate its internal controls based on the resolution described above by having the Internal Audit Department carry out inspections.

A description of the main points of the operational status of internal controls during FY2019 is as follows.

Compliance Initiatives

- The Company provided compliance training to Recruit Affiliated Persons based on group-wide policies on information management and the prevention of insider trading, in addition to other policies such as the “Recruit Group Code of Ethics” and “Recruit Group Compliance Policy,” to increase awareness of compliance.
- Based on the “Recruit Group Compliance Policy,” the Company has set up a group-wide consultation hotline for the purpose of preventing violations of laws and regulations and other improper activities. The “Recruit Group Compliance Policy” provides that any individual who makes a report through the hotline shall not be subject to unfavorable treatment by the Company on the basis of making such a report. The status of internal reporting and consultations made on the Company’s hotline was reported regularly to the Board of Directors.
- Based on the information collected from the Company’s administrative division and subsidiaries, the status of group-wide compliance was deliberated in the Compliance Committee, after which the Company determined appropriate measures to be taken and reported the measures and their implementation status to the Board of Directors. Based on the determined policies, meetings of the SBU Compliance Committee were held at each SBU.
- Internal audits were performed by the Internal Audit Department, which is under the direct supervision of the President and CEO, Representative Director of the Board. The Internal Audit Department performed audits of each division of Recruit Holdings and its subsidiaries in accordance with the annual plan approved by the Board of Directors and reported to the President and Representative Director as well as the Board of Directors.

Risk Management Initiatives

- The Company worked to achieve widespread understanding of the “Recruit Group Risk Management Policy,” which defines the risk management objectives, procedures, and methods of managing risk in the Company as a whole, and the “Recruit Group Risk Escalation Rules,” which aim to ensure immediate reporting and sharing of information in the event of a crisis, by posting them on the Company’s intranet, among other measures.
- In accordance with the “Recruit Group Risk Management Policy,” meetings of the SBU Risk Management Committee were held at each SBU. Based on information collected from each committee and the Company’s administrative division, matters concerning risks identified and remedial measures were determined at meetings of the Risk Management Committee, after which the Company reported to the Board of Directors which risks required focused efforts. The progress of remedial measures was confirmed by the same process.

Initiatives to Promote Appropriate and Efficient Execution of Professional Duties

- During FY2019, the Board of Directors of the Company met 13 times. In addition to resolutions on matters reserved for the decision of the Board of Directors pursuant to laws and regulations and the Company’s Articles of Incorporation, the Board of Directors also made decisions on matters that may have a major impact on the Recruit Group Management Philosophy, the Company’s corporate governance, and the Company’s consolidated financial results as well as the reputation of the Company as a whole.

- During FY2019, the Business Strategy Meeting, an advisory body to the Company's CEO, was held 21 times. The meeting acted as a platform to ascertain the state of business execution by each business division and deliberate on important matters delegated by the Board of Directors, thereby enabling the CEO of the Company to apply a flexible decision-making process.

Management of Subsidiaries

- Based on the "Group Management Policy of the Recruit Group" and similar standards, the Company decided important matters regarding its subsidiaries and received subsequent reports from the subsidiaries regarding such matters.
- The Company's monthly business results were reported to the Board of Directors, which confirmed and deliberated matters including progress toward achieving the Company's management targets, management issues, and response measures.

Activities of Audit & Supervisory Board Members

- Reporting and information disclosure to Audit & Supervisory Board members were conducted at important Company meetings by ensuring opportunities for Audit & Supervisory Board members to attend these meetings.
- Audit & Supervisory Board members worked to increase the effectiveness of their audits primarily by holding regular information-sharing meetings with Audit & Supervisory Board members of the Company's subsidiaries, and Directors of the Board of its subsidiaries in charge of audits. They also held regular meetings with the Internal Audit Department and Independent Auditor of the Company. In addition, Corporate Executive Officers of the Company reported to Audit & Supervisory Board members on business results, the state of business operations, the development of internal controls, and similar matters, to enhance the effectiveness of audits conducted by Audit & Supervisory Board members.
- The President and CEO, Representative Director of the Board and Audit & Supervisory Board members held regular meetings to exchange opinions.
- The Company has appointed an "Assistant to support the Company Audit & Supervisory Board Members" in their duties. The Company ensures the independence of such Assistants from the Directors of the Board, which includes respecting the opinions of the Audit & Supervisory Board members with regard to the appointment, transfer, evaluation, and discipline of these Assistants.

Consolidated Statement of Changes in Equity

For the year ended March 31, 2020

(In millions of yen)

	Equity attributable to owners of the parent						
	Common stock	Share premium	Retained earnings	Treasury stock	Other components of equity		
					Share-based payments	Exchange differences on translation of foreign operations	Effective portion of the change in the fair value of cash flow hedges
Balance at April 1, 2019	10,000	49,136	942,449	(32,378)	4,132	(8,198)	635
Profit for the year			179,880				
Other comprehensive income						(22,359)	(363)
Comprehensive income for the year	—	—	179,880	—	—	(22,359)	(363)
Transfer from share premium to common stock	30,000	(30,000)					
Transfer from other components of equity to retained earnings			(5,507)				
Purchase of treasury stock		(227)		(81,119)			
Disposal of treasury stock		(2)		253	(246)		
Dividends			(49,269)				
Share-based payments					1,697		
Other		(1)	(58)				
Transactions with owners - total	30,000	(30,232)	(54,836)	(80,866)	1,451	—	—
Balance at March 31, 2020	40,000	18,904	1,067,492	(113,244)	5,584	(30,557)	271

	Equity attributable to owners of the parent				Non-controlling interests	Total equity
	Other components of equity			Total		
	Net change in financial assets measured at fair value through other comprehensive income	Remeasurements of defined benefit plans	Total			
Balance at April 1, 2019	—	—	(3,431)	965,775	6,475	972,251
Profit for the year			—	179,880	1,369	181,249
Other comprehensive income	(6,044)	537	(28,230)	(28,230)	(48)	(28,278)
Comprehensive income for the year	(6,044)	537	(28,230)	151,649	1,321	152,970
Transfer from share premium to common stock			—	—		—
Transfer from other components of equity to retained earnings	6,044	(537)	5,507	—		—
Purchase of treasury stock			—	(81,346)		(81,346)
Disposal of treasury stock			(246)	4		4
Dividends			—	(49,269)	(538)	(49,808)
Share-based payments			1,697	1,697		1,697
Other			—	(60)	35	(25)
Transactions with owners - total	6,044	(537)	6,959	(128,975)	(502)	(129,477)
Balance at March 31, 2020	—	—	(24,702)	988,449	7,293	995,743

Notes to Consolidated Financial Statements

Notes on Important Matters that Form the Basis for Preparing Consolidated Financial Statements

Standards for Preparing Consolidated Financial Statements

The Consolidated Financial Statements of the Company are prepared in accordance with International Financial Reporting Standards (“IFRS”), pursuant to Article 120, Paragraph 1 of the Rules of Corporate Accounting. Certain disclosure items required by IFRS are omitted pursuant to the latter part of the said paragraph.

Matters Related to the Scope of Consolidation

Status of consolidated subsidiaries

Number of consolidated subsidiaries: 366

Names of the major consolidated subsidiaries

- RGF OHR USA, Inc.
- Indeed, Inc.
- Glassdoor, Inc.
- Recruit Co., Ltd.
- Recruit Sumai Company Ltd.
- Recruit Marketing Partners Co., Ltd.
- Recruit Lifestyle Co., Ltd.
- Recruit Career Co., Ltd.
- Recruit Jobs Co., Ltd.
- RGF Staffing B.V. (company name changed from Recruit Global Staffing B.V. in November 2019)
- Recruit Staffing Co., Ltd.
- STAFF SERVICE HOLDINGS CO., LTD.
- Staffmark Group, LLC
- The CSI Companies, Inc.
- ADVANTAGE RESOURCING UK LIMITED
- Unique NV
- USG People France SAS
- USG People Germany GmbH
- USG People Holdings B.V.
- Chandler Macleod Group Limited

Matters Related to the Application of Equity Method

Status of equity-method associates

Number of equity-method associates: 10

Name of the major company, etc.

- 51job, Inc.
- kaonavi, inc.

Significant Accounting Policies

Valuation standards and valuation methods of financial instruments

Financial assets

Recognition, classification and measurement of financial assets

Financial assets are recognized when the Company becomes a party to the contract of the financial instruments. The Company measures all financial assets at fair value at initial recognition and classifies them as financial assets measured at amortized cost, financial assets measured at fair value through other comprehensive income (“FVTOCI financial assets”), or financial assets measured at fair value through profit or loss (“FVTPL financial assets”).

Financial assets measured at amortized cost

The Company classifies financial assets that satisfy the following conditions as financial assets measured at amortized cost:

- the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows, and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets measured at amortized cost are initially recognized as the sum of the fair value and transaction costs, and subsequently measured at amortized cost using the effective interest method less impairment losses. Interest income, gains or losses on derecognition, and impairment losses are recognized as finance income or costs.

FVTOCI financial assets

FVTOCI debt financial assets

The Company classifies debt financial assets that satisfy the following conditions as FVTOCI debt financial assets measured at fair value through other comprehensive income:

- the financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets, and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

FVTOCI debt financial assets are initially recognized as the sum of the fair value and transaction costs, and subsequent changes in fair value (other than impairment losses) are recognized in other comprehensive income. The cumulative amount in other comprehensive income is reclassified to profit or loss upon derecognition of the asset. Interest income, gains or losses on derecognition, and impairment losses are recognized as finance income or costs in profit or loss.

FVTOCI equity financial assets

Of financial assets measured at fair value, the Company classifies equity financial assets for which the Company has made an irrevocable election at initial recognition to present subsequent fair value changes in other comprehensive income as FVTOCI equity financial assets measured at fair value through other comprehensive income. The Company, in principle, designates all equity financial assets as FVTOCI equity financial assets.

FVTOCI equity financial assets are initially recognized as the sum of the fair value and transaction costs. Subsequent changes in fair value as well as gains or losses on derecognition are recognized in other comprehensive income, and their cumulative amount is immediately reclassified to retained earnings after being recognized in other components of equity.

Dividends received on FVTOCI equity financial assets are recognized as finance income when

entitlement to the dividends is determined, except for cases where the dividend clearly represents the collection of the cost of investment.

FVTPL financial assets

The Company classifies all financial assets other than those measured at amortized cost, all debt financial assets that are not classified into FVTOCI debt financial assets and derivatives as FVTPL financial assets.

FVTPL financial assets are initially recognized at fair value, and any subsequent changes in fair value as well as any gains or losses on disposal are recognized as finance income or costs in profit or loss.

Impairment of financial assets

The Company recognizes a provision for expected credit losses on financial assets measured at amortized cost or FVTOCI debt financial assets.

The Company assesses at the end of each reporting period whether credit risk on a financial asset has increased significantly since initial recognition. If the credit risk on a financial asset has increased significantly since initial recognition, the provision for that financial asset is measured at an amount equal to lifetime expected credit losses. If not, the provision is measured at an amount equal to 12-month expected credit losses. Whether credit risk has increased significantly or not is determined based on changes in default risk.

For trade receivables that do not contain a significant financing component, the provision is measured at an amount equal to lifetime expected losses under a simplified approach, based on historical experience, regardless of changes in the credit risk.

Derecognition

The Company derecognizes a financial asset when the contractual rights to cash flows arising from the financial asset expire or substantially all the risks and rewards of ownership of the financial asset are transferred.

Interests in a transferred financial asset which are created or retained by the Company are recognized separately as assets or liabilities.

Financial liabilities

Recognition, classification and measurement of financial liabilities

Financial liabilities are recognized when the Company becomes a party to the contract of the financial instruments. The Company measures all financial liabilities at fair value at initial recognition and classifies them as financial liabilities measured at amortized cost or financial liabilities measured at fair value through profit or loss ("FVTPL financial liabilities").

Financial liabilities measured at amortized cost

The Company classifies all financial liabilities as financial liabilities measured at amortized cost, except for:

- FVTPL financial liabilities (including derivative liabilities)
- financial guarantee contracts
- contingent consideration recognized in a business combination

Financial liabilities measured at amortized cost are initially recognized as the fair value less transaction costs, and subsequently measured at amortized cost using the effective interest method.

FVTPL financial liabilities

FVTPL financial liabilities are initially recognized at fair value and any subsequent changes in fair value is recognized as finance income or costs in profit or loss, unless hedge accounting requirements are met.

Derecognition

The Company derecognizes financial liabilities when the obligations are discharged, canceled, or expired.

Offsetting financial instruments

Financial assets and financial liabilities are offset and the net amount is presented in the consolidated statement of financial position only if there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the asset and settle the liability simultaneously.

Derivatives and hedge accounting

To hedge the risks from fluctuations in interest rates and foreign exchange rates, the Company enters into derivative contracts, including interest rate swaps, currency swaps and forward foreign exchange contracts, and when appropriate, applies hedge accounting. These derivatives are initially recognized as assets or liabilities at fair value at the date on which the contracts are entered into.

The changes in the fair value after initial recognition are recognized in profit or loss if the hedged item and the hedging instrument do not qualify for hedge accounting. If the hedging relationship qualifies for hedge accounting, the portion of the gain or loss on the hedging instrument in a cash flow hedge that is determined to be an effective hedge is recognized in other comprehensive income, and the cumulative amount is recognized in other components of equity. The amount recognized in other components of equity is reclassified to profit or loss in order to offset the effects arising when the hedged item is recognized in profit or loss.

Depreciation and amortization methods of significant depreciable assets

Property and equipment

Property and equipment are measured at cost less accumulated depreciation and accumulated impairment losses by using the cost model.

The costs of property and equipment include those directly attributable to the acquisition of the asset and the estimate of the costs of dismantlement, removal and restoration.

Property and equipment are depreciated using the straight-line method over the useful life of each significant component of the asset. The depreciation method, useful lives and residual values are reviewed at the end of each fiscal year, and the effects of any changes in the estimates are accounted for as changes in accounting estimates prospectively from the period in which the estimates are changed.

Major useful lives of property and equipment are as follows:

- Buildings and structures: 2 to 50 years
- Tools, furniture and fixtures: 2 to 20 years

Intangible assets

Intangible assets are measured at cost less accumulated amortization and accumulated impairment losses by using the cost model.

Intangible assets acquired separately are measured at cost at initial recognition. Identifiable intangible assets, other than goodwill, acquired through business combinations are measured at fair value at the date on which the Company obtains control.

Research and development expenditures are expensed as incurred, except for internally generated intangible assets, which are expenditures on development activities that satisfy the capitalization criteria.

Intangible assets with definite useful lives are amortized using the straight-line method over their useful lives. The amortization method and useful lives are reviewed at the end of each fiscal year, and the effects of any changes in the estimates are accounted for as changes in accounting estimates prospectively from the period in which the estimates are changed. Intangible assets with indefinite useful lives are not amortized.

Major useful lives of intangible assets are as follows:

- Software: 5 years
- Customer-related intangible assets: 2 to 15 years

Leases

A right-of-use asset is measured at cost less accumulated depreciation and accumulated impairment losses by applying the cost model. The cost of a right-of-use asset includes the amount of the initial measurement of the lease liability at the commencement date, any lease payments made at or before the commencement date, and restoration costs required by the lease contract. A right-of-use asset is depreciated using the straight-line method over the lease term. The lease term is reassessed upon the occurrence of a significant event or a significant change in circumstances that affects whether the lessee is reasonably certain to exercise the extension or termination option. When the lease term is modified, the lease liability will be remeasured and, in principle, the amount of right-of-use assets will be adjusted.

The Company has elected not to recognize right-of-use assets and lease liabilities for leases of low-value assets.

Accounting standards for significant allowances and provisions

Provisions are recognized when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and the amount of the obligation can be estimated reliably.

Where the effect of the time value of money is material, the amount of provisions is measured at the present value of the expenditures expected to be required to settle the obligations. In calculating the present value, the Company uses a pre-tax discount rate that reflects the current market assessments of the time value of money and the risks specific to the liability.

Accounting standards for revenue

The Company recognizes revenue based on the following five-step approach:

- Step 1: Identify the contract(s) with a customer
- Step 2: Identify the performance obligations in the contract
- Step 3: Determine the transaction price
- Step 4: Allocate the transaction price to the performance obligations in the contract
- Step 5: Recognize revenue when (or as) the entity satisfies a performance obligation

Other important matters that form the basis for preparing consolidated financial statements

Impairment of property and equipment and intangible assets

At the end of each reporting period, the Company assesses whether there is any indication that property and equipment and intangible assets with definite useful lives may be impaired. If any such indication exists, impairment tests are performed to assess the recoverable amount of the asset or the cash-generating unit (“CGU”) to which it belongs.

Intangible assets with indefinite useful lives and those not yet available for use are not amortized, and tested for impairment annually, irrespective of whether there is any indication of impairment, or whenever there is an indication of impairment.

The recoverable amount is measured at the higher of an asset or CGU’s fair value less costs of disposal and its value in use. The value in use is calculated by discounting the estimated future cash flows to their present value with a pre-tax discount rate that reflects the time value of money and the risks specific to the asset or CGU.

If the recoverable amount of an individual asset or a CGU falls below its carrying amount, the carrying amount is reduced to the recoverable amount, and an impairment loss is recognized as “Other operating expenses” in the consolidated statement of profit or loss.

For property and equipment and intangible assets for which impairment losses were recognized in the prior fiscal years, the Company assesses at the closing date whether there is any indication of a reversal of an impairment loss.

If there is an indication of a reversal of an impairment loss, and the recoverable amount of an individual asset or a CGU exceeds its carrying amount, the impairment loss is reversed up to the lower of its recoverable amount and the carrying amount that would have been determined (net of amortization or depreciation) had no impairment loss been recognized for the asset in the prior fiscal years.

Goodwill

Goodwill is measured at cost less accumulated impairment losses.

Goodwill is allocated to a CGU or group of CGUs that is expected to benefit from the synergies of the business combination. The Company performs an impairment test for the CGU or group of CGUs to which goodwill was allocated at a specified point of time in each fiscal year or whenever there is an indication of impairment.

A CGU or group of CGUs to which goodwill is allocated is determined based on the unit by which the goodwill is monitored for internal management purposes and is not larger than an operating segment.

If the recoverable amount of a CGU or group of CGUs falls below its carrying amount in an impairment test, the difference is recognized as an impairment loss. In recognizing the impairment loss, the carrying amount of goodwill allocated to the CGU or group of CGUs is reduced and then the carrying amounts of the other assets in the CGU or group of CGUs are reduced pro rata on the basis of the carrying amount of each asset.

An impairment loss for goodwill is recognized in profit or loss as “Other operating expenses” and is not reversed in a subsequent period.

Post-employment benefits

The Company operates defined contribution plans and defined benefit plans as retirement benefit plans for employees.

Retirement benefit costs for defined contribution plans are recognized in profit or loss for the period over which employees render services.

For each defined benefit plan, the Company calculates the present value of defined benefit obligations and the related current service cost and past service cost using the projected unit credit method and recognizes them as an expense.

A discount rate is determined by reference to the closing-date market yields on high quality corporate bonds for the period corresponding to the discount period, which is set on the basis of the period until the expected date of benefit payment in each future fiscal year.

Net interest on the net defined benefit liability is recorded as cost of sales or selling, general and administrative expenses.

Remeasurements of the net defined benefit liability which are incurred in the current period are recognized as other comprehensive income, and their cumulative amount is immediately reclassified to retained earnings after being recognized in other components of equity.

Effects of changes in foreign exchange rates

The Company's consolidated financial statements are presented in Japanese yen, which is the functional currency of the Holding Company. Each entity determines its own functional currency and the financial statements of each entity are measured using that functional currency.

Transactions in foreign currencies are translated into the functional currency of each of the subsidiaries and the associates at the spot exchange rate on the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated into the functional currency at the rates of exchange prevailing at the closing date. Non-monetary assets and liabilities measured at historical cost that are denominated in foreign currencies are translated using the exchange rates at the date of the initial transaction. Non-monetary assets and liabilities measured at fair value that are denominated in foreign currencies are translated using the spot exchange rates at the date when the fair value is determined. Differences arising from the translation and settlement are recognized as profit or loss. When a gain or loss on a non-monetary item is recognized in other comprehensive income, any exchange difference is also recognized in other comprehensive income.

The assets and liabilities of foreign operations are translated using the spot exchange rate at the closing date, while income and expenses of foreign operations are translated using the spot exchange rate at the date of the transaction or a rate that approximates such rate. The resulting translation differences are recognized as other comprehensive income. In cases where a foreign operation is disposed of, the cumulative amount of translation differences related to the foreign operation is recognized in profit or loss on disposal.

Accounting method for consumption taxes

Consumption taxes and local consumption taxes are accounted for by the tax exclusion method.

Amounts presented

Amounts presented are rounded down to the nearest million yen.

Notes on Changes in Accounting Policies

The Company has applied IFRS 16 “Leases” (“IFRS 16”) using the modified retrospective method of adoption with the date of initial application of April 1, 2019. Under this method, the standard is applied retrospectively with the cumulative effect of initially applying the standard recognized at the date of initial application.

At the inception of a lease contract, the Company assesses whether the contract is, or contains, a lease based on the substance of the contract.

A lease liability is recognized and measured at the present value of the remaining lease payments, discounted using the lessee’s incremental borrowing rate at the commencement date of the lease if the interest rate implicit in the lease is not readily determinable. After the commencement date, the lease liability is measured by increasing or reducing the carrying amount to reflect interest on the lease liability and the lease payments made and remeasuring the carrying amount as necessary to reflect lease modifications. The lease term is determined as the non-cancellable period of a lease, together with both periods covered by an option to extend the lease if it is reasonably certain to be exercised, and periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised.

The Company’s accounting policies on right-of-use assets are disclosed in “Leases” under “Depreciation and amortization methods of significant depreciable assets.”

In transitioning to IFRS 16, the Company has chosen the practical expedient in paragraph C3 of IFRS 16 when determining whether a contract is, or contains, a lease. Therefore, the previous assessment under IAS 17 “Leases” (“IAS 17”) and IFRIC 4 “Determining whether an Arrangement contains a Lease” has been carried forward for contracts entered into prior to the date of initial application of IFRS 16.

The weighted average lessee’s incremental borrowing rate applied to lease liabilities recognized in the consolidated statement of financial position at the date of initial application is 1.0%.

The reconciliation of operating lease contracts under IAS 17 at the end of the year ended March 31, 2019 and lease liabilities recognized in the consolidated statement of financial position at the date of initial application is as follows:

	(In millions of yen)
Operating lease contracts at March 31, 2019	124,127
Amount discounted using the incremental borrowing rate at the date of initial application	121,310
Payments in optional extension periods not recognized as of March 31, 2019	143,133
Lease contracts before the commencement date of the lease (Note)	(20,951)
Lease liabilities at April 1, 2019	243,492

Note: Lease contracts entered into but not yet commenced as of March 31, 2019

Right-of-use assets recognized in the consolidated statement of financial position at the date of initial application are 234,482 million yen.

In applying IFRS 16, the Company has used the following practical expedients

- Applied a single discount rate to a portfolio of leases with reasonably similar characteristics.
- Relied on its assessment of whether leases are onerous applying IAS 37 “Provisions, Contingent Liabilities and Contingent Assets” immediately before the date of initial application as an alternative to performing an impairment review.
- Excluded initial direct costs from the measurement of the right-of-use asset at the date of initial application.
- Used hindsight, such as in determining the lease term if the contract contains options to extend or terminate the lease.

Notes on Changes in Presentation Methods

Matters Related to Consolidated Statement of Profit or Loss

“Gain (loss) on change in ownership interests in associates,” which was included in “Finance income” for the year ended March 31, 2019, is presented separately from the year ended March 31, 2020, due to an increase in materiality.

The Company recorded a gain on change in ownership interests in associates for the year ended March 31, 2020. This was mainly due to an increase in the Company’s interests in equity of 51job, Inc., an equity-method associate of the Company, as a result of an increase in equity of 51job, Inc. following the conversion of convertible bonds issued by 51job, Inc. to common stock in April 2019 by holders of the bonds.

Notes on Business Combinations

For the acquisition of Glassdoor, Inc. in the year ended March 31, 2019, the allocation of the consideration paid, which was accounted for provisionally as of March 31, 2019, was completed during the year ended March 31, 2020. There have been no material changes in the fair value of assets and liabilities and goodwill.

Notes to Consolidated Statement of Financial Position

Loss allowance directly deducted from assets

Trade and other receivables	6,455 million yen
-----------------------------	-------------------

Other financial assets	1,025 million yen
------------------------	-------------------

Accumulated depreciation and accumulated impairment losses of property and equipment

82,034 million yen

Accumulated depreciation and accumulated impairment losses of right-of-use assets

32,864 million yen

Notes to Consolidated Statement of Changes in Equity

Class and total number of shares issued as of March 31, 2020

Common stock:	1,695,960,030 shares
---------------	----------------------

Class and number of shares of treasury stock as of March 31, 2020

Common stock:	47,574,459 shares
---------------	-------------------

* The Holding Company has introduced the Board Incentive Plan (BIP) trust. The number of shares of treasury stock as of March 31, 2020 includes 1,521,856 shares in the Holding Company held by the trust.

Matters related to dividends

Amount of dividends paid

Resolution	Source of dividends	Total amount of dividends (in millions of yen)	Dividend per share (yen)	Record date	Effective date
May 14, 2019 Meeting of the Board of Directors (Note 1)	Retained earnings	24,246	14.5	March 31, 2019	June 20, 2019
November 13, 2019 Meeting of the Board of Directors (Note 2)	Retained earnings	25,062	15.0	September 30, 2019	December 9, 2019

Notes: 1. The total amount of dividends includes dividends of 19 million yen on the shares in the Holding Company held by the BIP trust.

2. The total amount of dividends includes dividends of 19 million yen on the shares in the Holding Company held by the BIP trust

Dividends whose record date is in the year ended March 31, 2020, but whose effective date is in the following fiscal year

Resolution	Source of dividends	Total amount of dividends (in millions of yen)	Dividend per share (yen)	Record date	Effective date
May 27, 2020 Meeting of the Board of Directors (Note)	Retained earnings	24,748	15.0	March 31, 2020	June 23, 2020

Note: The total amount of dividends includes dividends of 22 million yen on the shares in the Holding Company held by the BIP trust.

Class and number of shares to be issued upon the exercise of stock acquisition rights as of March 31, 2020 (excluding those for which the first day of the exercise period has not arrived)

Common stock: 2,264,600 shares

Notes on Goodwill and Intangible Assets

Significant intangible assets

Significant intangible assets are comprised of customer-related assets arising from the acquisition of shares in RGF Staffing B.V. (43,508 million yen as of March 31, 2020). The remaining amortization period as of March 31, 2020 for the customer-related assets is 10 years.

Impairment tests on goodwill

The Company groups its assets by the smallest CGU that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets, in principle, by considering managerial segmentation of operations. Goodwill is allocated to each CGU or group of CGUs that is expected to benefit from the synergies of business combinations.

In HR Technology, goodwill is monitored for internal management purposes due to the expectations that the segment benefits from the synergies among the composing entities. Accordingly, HR Technology is tested for impairment in its entirety as a single CGU. On the other hand, in Media & Solutions and Staffing, in principle, each of the composing entities is tested for impairment as a CGU or group of CGUs in light of its unique business environment.

The balance of goodwill of each CGU or group of CGUs is as follows:

(In millions of yen)

Reportable segment	CGU or group of CGUs	Amount
HR Technology	HR Technology	196,496
Media & Solutions	Each subsidiary	1,850
Staffing	RGF Staffing B.V.	137,669
	Each of other subsidiaries	47,147
Total		383,163

The Company's significant goodwill is that relating to HR Technology and that arising from the acquisition of shares in RGF Staffing B.V.

The Company tests goodwill for impairment annually, irrespective of whether there is any indication of impairment, or whenever there is an indication of impairment.

An impairment loss of goodwill is recognized when the recoverable amount of the CGU or group of CGUs is less than its carrying amount.

The recoverable amount is determined based on the value in use. Value in use is determined by discounting to present value the estimated cash flows before tax for the next one to five years based on the business plan of each CGU or group of CGUs approved by management. The business plans reflect management's assessment of future trends in the business and historical data, and are prepared based on external and internal information. For periods beyond those covered by the business plans, a terminal value is determined by discounting to present value the pre-tax estimated cash flows based on conservative growth rates. The growth rates are decided by reflecting the circumstances of the country and the industry to which the CGU or group of CGUs belongs. The pre-tax discount rates are derived from the weighted-average cost of capital.

The business plan has been prepared based on management's best estimates under the assumption that the impact of the novel coronavirus (COVID-19) continues for a considerably long time after the closing date. Actual results may differ from those estimates as a result of uncertain changes in economic conditions due to various factors, including the spread of COVID-19.

Major assumptions used in determining the recoverable amount of each CGU or group of CGUs are as follows:

(%)

Reportable segment	CGU or group of CGUs	Growth rate	Discount rate
HR Technology	HR Technology	2.3	9.7
Media & Solutions	Each subsidiary	0.0-4.0	9.8-17.2
Staffing	RGF Staffing B.V.	0.0	6.7
	Each of other subsidiaries	0.0-1.4	8.7-12.3

The Company considers that significant impairment is unlikely to occur in each CGU or groups of CGUs to which goodwill is allocated, even if major assumptions used for the impairment tests change within a reasonably foreseeable range.

Impairment of goodwill and intangible assets

Impairment losses on goodwill and intangible assets are recorded within “Other operating expenses” in the consolidated statement of profit or loss. The breakdown of impairment losses on goodwill for the year ended March 31, 2020 by CGU or group of CGUs is as follows:

(In millions of yen)

Reportable segment	CGU or group of CGUs	Amount
HR Technology	HR Technology	-
Media & Solutions	Hotspring Ventures Limited	14,533
	Each of other subsidiaries	3,548
Staffing	RGF Staffing B.V.	-
	Chandler Macleod Group Limited	7,831
	Each of other subsidiaries	396
Total		26,310

The impairment losses in Media & Solutions are mainly related to Hotspring Ventures Limited, which operates the Treatwell in Overseas Marketing. This is mainly due to a change in its business strategy that has aimed to expand business scale through long-term investments. As a result, the carrying amount of the goodwill has been reduced to the recoverable amount. The recoverable amount has been determined based on the value in use, which has been calculated by discounting the future cash flows to the present value using a discount rate of 10.3%.

The impairment losses in Staffing are mainly related to Chandler Macleod Group Limited. This is due to revised business projections, reflecting its lower-than-planned business performance for the year ended March 31, 2020 which were negatively affected by the uncertain economic outlook in markets such businesses operate, as well as the expectation of the negative impact caused by COVID-19 to continue for a certain period of time after the closing date. As a result, the carrying amount of the goodwill has been reduced to the recoverable amount. The recoverable amount has been determined based on the value in use, which has been calculated by discounting the future cash flows to the present value using a discount rate of 11.0%.

The impairment losses on intangible assets for the year ended March 31, 2020 are mainly related to USG People Germany GmbH, which is a CGU of RGF Staffing B.V. in Staffing. This is due to revised business projections, reflecting its lower-than-planned business performance for the year ended March 31, 2020 which were negatively affected by the uncertain economic outlook in markets such businesses operate, as well as the expectation of the negative impact caused by COVID-19 to continue for a certain period of time after the closing date. As a result, the carrying amount of the intangible assets has been reduced to the recoverable amount. The amount of impairment losses recognized was 3,873 million yen. The recoverable amount has been determined based on the value in use, which has been calculated by discounting the future cash flows to the present value using a discount rate of 9.9%.

Notes on Revenue Recognition

The Company has three reportable segments, namely, HR Technology segment, Media & Solutions segment, and Staffing segment, whose operating results are regularly reviewed by the Board of Directors to decide on the allocation of operating resources and assess business performance.

Revenues from these businesses are recorded based on contracts with customers. The amount of variable considerations included in revenues is immaterial. In addition, the amount of promised consideration does not include significant financing components.

HR Technology

The Company receives consideration from customers for providing services which enable job seekers to search for opportunities and customers to find talent by operating an online job platform and company information site. Revenue is recognized when the performance obligation is satisfied, that is, when an individual user accesses the customer's job information through a paid advertisement placed by the customer on the online job search engine site.

Media & Solutions

Marketing Solutions

The Company receives advertising fees from customers by providing housing, bridal, travel, dining and beauty related information through the Company's websites and printed media to prospective users of services or purchasers of products.

Regarding online advertisement placement, for advertisement services with a guaranteed placement period, the Company has an obligation to place an advertisement over a period specified in a contract. Since the performance obligation is satisfied over time, revenue is recognized over the contract period on a straight-line basis.

For advertisement placement services in printed media, the Company provides advertisement-related services with an indefinite placement period to customers based on a contract, under which it is obliged to place an advertisement on a specific page of a magazine. Accordingly, the Company considers the performance obligation to be satisfied at the date of sale of the printed media and revenue is recognized when the media containing the advertisement are displayed at stores and are available for purchase or browsing by consumers, or when they are delivered to subscribers.

HR Solutions

The Company provides employment placement services under which it introduces job seekers considering a career change to customers who are recruiting mid-career professionals by determining requirements for desired staff and then selecting candidates whose work experience, skills and intention meet those requirements. The Company receives referral fees from the customer when the referred job seeker is actually employed and recognizes revenue at the time of employment. Regarding employment placement services, the Company has an obligation to provide services for arranging employment based on a contract. Since the performance obligation is satisfied at the time of employment, revenue is recognized at that point in time.

The Company also receives advertising fees from customers who are recruiting new graduates or mid-career professionals by supporting the entire process from recruitment to employment through advertisement placements on the Company's websites and printed media.

For online advertisement placement, regarding advertisement services with a guaranteed placement period, the Company has an obligation to place an advertisement over a period specified in a contract. Since the performance obligation is satisfied over time, revenue is recognized over the contract period on a straight-line basis.

With regard to advertisement placement services in printed media, the Company provides advertisement-related services with an indefinite placement period to customers based on a contract, under which it is obliged to place an advertisement on a specific page of a magazine. Accordingly, the Company considers the performance obligation to be satisfied at the date of sale of printed media and revenue is recognized when the media containing the advertisement are displayed at stores and are available for purchase or browsing by consumers, or when they are delivered to subscribers.

Regarding the sale of a set of services and a series of placements, the Company determines the arm's-length selling price at contract inception of the distinct service underlying each performance obligation in a contract and allocates the transaction price in proportion to those arm's-length selling prices.

Any discount is allocated in proportion to the arm's-length selling prices to each performance obligation in a contract.

Staffing

The Company provides staffing services mainly for clerical jobs, manufacturing jobs and light duty works, as well as various specialist positions to customers. For staffing services, the Company has an obligation to provide personnel based on a contract. The Company considers the performance obligation to be satisfied when labor is provided by the agency worker. Accordingly, revenue is recognized based on the total number of working hours of the agency worker during the dispatched period.

Notes on Financial Instruments

Matters Related to Status of Financial Instruments

In the course of conducting its business activities, the Company is exposed to financial risks (credit risk, liquidity risk, foreign currency risk, interest rate risk and price risk). The Company monitors those financial risks in order to avoid or reduce the risks as necessary.

The Company uses derivative transactions to hedge foreign currency risk and interest rate risk, and not for speculative purposes.

Credit risk

The Company's trade receivables such as notes and accounts receivable - trade are exposed to customer credit risk.

The Company examines new clients to understand and mitigate at an early stage the potential uncollectibility of receivables due to deterioration in their financial conditions. With regard to trade receivables, the Company manages due dates and balances for each client and also monitors the financial condition of major clients on a regular basis. In addition, the Company enters into transactions only with financial institutions with high credit ratings to mitigate counterparty risk.

The Company is not exposed to credit risk that is excessively concentrated in a particular counterparty.

Liquidity risk

The Company manages its liquidity risk by preparing and updating a cash management plan at each subsidiary level, and by ensuring liquidity is available based on estimated revenue and expenditures. In addition, the Company centralizes and manages funds through group financing, under which the Company receives funds from consolidated subsidiaries with surplus funds and lends funds to others as necessary.

Market risk

Foreign currency risk

The Company is exposed to the risk of rapid fluctuation of foreign exchange rates.

For certain foreign currency-denominated receivables and payables, the foreign currency fluctuation risk is hedged on an individual basis.

Interest rate risk

Borrowings are appropriated for working capital and funds for capital investment, and since a large portion of borrowings have floating interest rates, they are exposed to interest rate fluctuation risk.

With regard to interest rate fluctuation risk of borrowings, interest rate swaps are used to fix a portion of or all interest expense.

Price risk

The Company is exposed to market price fluctuation risk associated with equity instruments.

Equity instruments are managed by regularly monitoring the market prices and financial condition of issuers and, on an ongoing basis, evaluating the holding status in light of the relationship with issuers.

Matters Related to Fair Value, etc. of Financial Instruments

The carrying amount and fair value of financial instruments at the end of the current fiscal year are as follows. Financial instruments whose carrying amount approximates their fair value are not included in the table below. Long-term borrowings mainly bear interest at floating rate, which reflects market interest rate, and thereby their carrying amount approximates their fair value.

	(In millions of yen)	
	Carrying amount	Fair value
Bonds	49,927	49,946

Note: The fair value of bonds is measured by referring to the quoted market price.

Notes on Per Share Information

Equity per share attributable to owners of the parent:	599.65 yen
Basic earnings per share:	108.27 yen

The Holding Company has introduced the Board Incentive Plan (BIP) trust. The Holding Company's stock held in the trust is recognized as treasury stock in the consolidated financial statements. In line with this, the Holding Company's stock held in the trust is included in treasury stock deducted from the number of shares issued at the end of the period for the calculation of equity per share attributable to owners of the parent. In addition, the Holding Company's stock held in the trust is included in treasury stock deducted in the calculation of the average number of shares during the period for the calculation of basic earnings per share.

The number of treasury stock at the end of the period deducted for the calculation of equity per share attributable to owners of the parent is 1,521,856 shares.

The average number of treasury stock deducted for the calculation of basic earnings per share is 1,330,837 shares in the current fiscal year.

Notes on Significant Subsequent Events

Commitment Line Contracts

In accordance with the resolution at the Board of Directors meeting held on April 7, 2020, the Holding Company entered into the following commitment line contracts as of April 30, 2020:

Use

Working capital

Lenders

Mizuho Bank, Ltd., Sumitomo Mitsui Banking Corporation, MUFG Bank, Ltd.

Line of credit

399,999 million yen

Date of the contracts

April 30, 2020

Term of the contracts

From April 30, 2020 to April 30, 2021

Borrowing rate

Base rate + spread

Collateral

None

Statement of Changes in Equity

For the year ended March 31, 2020

(In millions of yen)

	Shareholders' equity									
	Common stock	Capital surplus			Retained earnings				Treasury stock	Total shareholders' equity
		Legal capital surplus	Other capital surplus	Total capital surplus	Legal retained earnings	Other retained earnings		Total retained earnings		
						General reserve	Retained earnings brought forward			
Balance at beginning of current period	10,000	6,716	24,857	31,574	750	820,909	75,198	896,857	(32,378)	906,053
Changes of items during period										
Cash dividends				—	2,506		(51,815)	(49,308)		(49,308)
Net income				—			85,854	85,854		85,854
Purchase of treasury stock				—				—	(81,119)	(81,119)
Disposal of treasury stock			(2)	(2)				—	253	250
Transfer from legal capital surplus to common stock	6,716	(6,716)		(6,716)				—		—
Transfer from surplus to common stock	23,283		(23,283)	(23,283)				—		—
Other changes during the period										
Total changes of items during period	30,000	(6,716)	(23,286)	(30,002)	2,506	—	34,039	36,545	(80,866)	(44,323)
Balance at end of current period	40,000	—	1,571	1,571	3,256	820,909	109,237	933,403	(113,244)	861,730

	Valuation and translation adjustments		Stock acquisition rights	Total equity
	Unrealized gain (loss) on available-for-sale securities	Total valuation and translation adjustments		
Balance at beginning of current period	25,165	25,165	1,449	932,667
Changes of items during period				
Cash dividends				(49,308)
Net income				85,854
Purchase of treasury stock				(81,119)
Disposal of treasury stock				250
Transfer from legal capital surplus to common stock				—
Transfer from surplus to common stock				—
Other changes during the period	(15,814)	(15,814)	269	(15,545)
Total changes of items during period	(15,814)	(15,814)	269	(59,868)
Balance at end of current period	9,350	9,350	1,719	872,799

Notes to Non-consolidated Financial Statements

Notes on Matters Related to Significant Accounting Policies

Valuation Standards and Valuation Methods of Assets

Valuation standards and valuation methods of securities

Shares of subsidiaries and associates: Stated at cost using the moving-average method

Available-for-sale securities

Available-for-sale securities with market value: Market value method based on the market price at the end of the period, etc.
(Valuation differences are directly recorded as equity and cost of securities sold is calculated by the moving-average method.)

Available-for-sale securities without market value: Stated at cost using the moving-average method

Depreciation and Amortization Methods of Noncurrent Assets

Property, plant and equipment:

Straight-line method

The principal useful lives are as follows: Buildings: 2 to 50 years

Tools, furniture and fixtures: 2 to 10 years

Intangible assets:

Straight-line method

The principal years of amortization are as follows:

Software (for internal use): 5 years (period available for internal use)

Accounting Standards for Allowances and Provisions

Allowance for doubtful accounts:

In order to provide for losses due to bad debt, for general receivables, an estimated uncollectible amount is principally recorded according to the historical bad debt ratio. For specific receivables from companies in financial difficulty, an estimated uncollectible amount is recorded by assessing the collectability of each receivable individually.

Provision for retirement benefits for Directors of the Board (and other officers)

In order to provide for the payments of retirement benefits to Directors (and other officers), an estimated amount of benefits payable at the end of the fiscal year is recorded in accordance with the internal rules.

Provision for Board Incentive Plan trust

In order to provide for the grant of shares of the Holding Company to Directors (and other officers), an estimated amount of shares to be granted for the points awarded to Directors (and other officers) is recorded in accordance with the stock delivery regulations.

Significant Hedge Accounting

Hedge accounting

Deferred hedge accounting is applied.

Exceptional treatment is applied to interest rate swaps that meet the requirements for exceptional treatment. Integrated treatment (exceptional treatment/appropriation treatment) is applied to interest rate and currency swap transactions that meet the requirements for integrated treatment.

Hedging instruments and hedged items

Hedging instruments	Hedged items
Interest rate swap	Interest on borrowings
Interest rate and currency swap	Foreign currency-denominated debt

Hedging policy

The Holding Company engages in interest rate swap transactions and interest rate and currency swap transactions in order to hedge the risks associated with fluctuations in interest rates and foreign exchange rates.

Methods for evaluating the effectiveness of hedges

Evaluation of effectiveness on exceptional treatment for interest rate swaps and integrated treatment for interest rate and currency swaps is omitted.

Other Important Matters That Form the Basis for Preparing Non-consolidated Financial Statements

Translation of significant assets or liabilities denominated in foreign currencies into Japanese yen

Monetary receivables and payables denominated in foreign currencies have been translated into Japanese yen at the spot exchange rate at the balance sheet date, and translation adjustments are treated as gains or losses.

Accounting method for consumption taxes

Consumption taxes and local consumption taxes are accounted for by the tax exclusion method.

Application of the consolidated taxation system

The consolidated taxation system is applied.

Application of tax effect accounting for transition from the consolidated taxation system to the group tax sharing system

Concerning items which transitioned to the group tax sharing system and those for which the non-consolidated tax payment system were reviewed in line with the transition to the group tax sharing system, which has been established under the "Act for Partial Amendment of the Income Tax Act, etc."

(Act No. 8 of 2020), the Holding Company will not apply the provisions of Paragraph 44 of “Implementation Guidance on Tax Effect Accounting” (ASBJ Guidance No. 28 of February 16, 2018), in accordance with Paragraph 3 of “Treatment of Tax Effect Accounting for the Transition from the Consolidated Taxation System to the Group Tax Sharing System” (PITF No.39 of March 31, 2020). As a result, the amounts of deferred tax assets and deferred tax liabilities are reported based on the provisions of the tax act before the amendment.

Notes on Changes in Presentation Methods

Matters Related to Balance Sheet

“Provision for retirement benefits for Directors (and other officers)” and “Provision for Board Incentive Plan trust,” which were included in “Other long-term liabilities” under “Long-term liabilities” in the previous fiscal year, are presented separately for clarification from the year ended March 31, 2020.

Notes to Balance Sheet

Accumulated depreciation of property, plant and equipment: 606 million yen

Guarantee obligation

The Holding Company guarantees the following subsidiaries and associates as stated below:

Indeed, Inc.	75,939 million yen
Indeed UK Operations Limited	31,671 million yen
Glassdoor, Inc.	18,047 million yen
Staffmark Group, LLC	10,364 million yen
Start People SAS	6,860 million yen
USG People Interservices NV	5,771 million yen
Chandler Macleod Group Limited	672 million yen
Megagon Labs, Inc.	291 million yen
Hotspring Ventures Limited	108 million yen
Other	18 million yen
Total	149,746 million yen

Monetary receivables and payables in relation to subsidiaries and associates

Short-term monetary receivables:	97,979 million yen
Short-term monetary payables:	297,493 million yen
Long-term monetary receivables:	240,441 million yen

Notes to Statement of Income

Transaction volume with subsidiaries and associates

Transaction volume of operating transactions (revenue):	102,061 million yen
Transaction volume of operating transactions (expenses):	684 million yen
Transaction volume of non-operating transactions (revenue):	445 million yen
Transaction volume of non-operating transactions (expenses):	483 million yen

Notes to Statement of Changes in Equity

Class and number of shares of treasury stock as of March 31, 2020

Common stock: 47,574,459 shares

The Holding Company has introduced the Board Incentive Plan (BIP) trust. The number of shares of the Holding Company held by the trust included in the number of treasury stock as of March 31, 2020 is 1,521,856 shares.

Notes on Tax Effect Accounting

Breakdown by cause of deferred tax assets and deferred tax liabilities

Deferred tax assets

Stocks of subsidiaries and associates	26,125 million yen
Tax losses carry-forward	11,058 million yen
Loss on valuation of investment securities	3,429 million yen
Other	2,310 million yen
Subtotal of deferred tax assets	42,924 million yen
Valuation allowance	(30,051) million yen
Total deferred tax assets	12,873 million yen

Deferred tax liabilities

Stocks of subsidiaries and associates	(102,608) million yen
Unrealized gain (loss) on available-for-sale securities	(1,815) million yen
Total deferred tax liabilities	(104,423) million yen
Net deferred tax liabilities	(91,550) million yen

Notes on Transactions with Related Parties

Subsidiaries and associates, etc.

(In millions of yen)

Attribute	Name of company, etc.	Ownership percentage of voting rights, etc.	Relationship with related parties	Description of transactions	Transaction amount	Account item	Balance at end of the fiscal year
				Loan of funds ^{*1}	—	Long-term loans receivable [Interest income]	210,691 [325]
Subsidiary	Recruit Co., Ltd.	Ownership Direct 100%	Loan transactions; Interlocking directorate			Short-term loans receivable	26,336
				Borrowing of funds ^{*2}	—	Short-term borrowings [Interest expense]	119,293 [126]
				Royalty income ^{*3}	24,285	Accounts receivable - trade	26,349
Subsidiary	Recruit Career Co., Ltd.	Ownership Indirect 100%	Loan transactions	Borrowing of funds ^{*2}	—	Short-term borrowings [Interest expense]	27,674 [41]
Subsidiary	STAFF SERVICE HOLDINGS CO., LTD.	Ownership Indirect 100%	Loan transactions; Interlocking directorate	Loan of funds ^{*1}	—	Long-term loans receivable	29,750
						Short-term loans receivable	14,875
				Borrowing of funds ^{*2}	—	Short-term borrowings [Interest expense]	16,068 [28]
Subsidiary	Recruit Staffing Co., Ltd.	Ownership Indirect 100%	Loan transactions; Interlocking directorate	Borrowing of funds ^{*2}	—	Short-term borrowings [Interest expense]	20,868 [17]
Subsidiary	HR Tech Funding Service Limited	Ownership Direct 100%	Interlocking directorate	Underwriting of capital increase ^{*4}	65,736	—	—
Subsidiary	RGF OHR USA, Inc.	Ownership Direct 100%	Interlocking directorate	Receipt of dividends	65,736	—	—

Transaction terms and policies for determining transaction terms, etc.

- ¹ The loan rate is reasonably determined based on market rates and other relevant factors.
- ² The Holding Company centrally manages the Company's funds, and intercompany lending and borrowing are settled on a daily basis. Thus, transaction amount is not stated. The interest rate is reasonably determined based on market rates.
- ³ Royalty income is recognized as a proportion of gross profit, and the rate is determined on a rational basis.
- ⁴ Underwriting of capital increase is the subsidiary's capital increase fully underwritten by the Holding Company.
- ⁵ The amounts of transactions do not include consumption taxes, while the year-end balances include consumption taxes.
- ⁶ Information on guarantee obligations is stated in 2. Guarantee obligation under (Notes to Balance Sheet).

Notes on Per Share Information

Equity per share:	528.44 yen
Net income per share:	51.68 yen

- ¹ The Holding Company has introduced the Board Incentive Plan (BIP) trust. The Holding Company's stock held in the trust is recognized as treasury stock in the non-consolidated financial statements. In line with this, the Holding Company's stock held in the trust is included in treasury stock deducted from the number of shares issued at the end of the period for the calculation of equity per share. In addition, the Holding Company's stock held in the trust is included in treasury stock deducted in the calculation of the average number of shares during the period for the calculation of net income per share. The number of shares of treasury stock at the end of the period deducted for the calculation of equity per share is 1,521,856 shares.
The average number of shares of treasury stock deducted for the calculation of net income per share is 1,330,837 shares in the current fiscal year.

Notes on Significant Subsequent Events

Commitment Line Contracts

This information is omitted since relevant information is contained in the consolidated financial statements.

Notes on Company Subject to Regulation on Consolidated Dividends

The Holding Company is subject to regulation on consolidated dividends.